

Lamoille County Planning Commission

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11 April 2005

Mrs. Susan Hudson, Clerk
Vermont Public Service Board
112 State Street, Drawer 20
Montpelier, VT 05620-2701

SUBJECT: LCPC's Testimony re: VELCO's Petition for a Certificate of Public Good for Lamoille County 115kV Project (Docket #7032)

Dear Mrs. Hudson:

The Lamoille County Planning Commission's (LCPC) Project Review Committee met on April 7, 2005 to discuss the Petitioners' 3/25/05 responses to LCPC's 3/14/05 Request for Information and to formalize a position regarding the proposed project's conformance (or nonconformance) with the Lamoille County Regional Plan.

The following are LCPC's findings regarding the Petitioners' responses to LCPC's Discovery Questions:

1. Why has the exact date of November, 2006 been determined to be the time at which additional power capacity must be in place?

Regarding Question #1, LCPC accepts the petitioners' answer that coincidentally explained the current Northern Loop (B-22) Settlement Agreement will be terminating on November 14, 2006; the "temporary" B-22 facilities' reliability will expire in November 2006; and there is expected to be a load increase generated by the Spruce Hamlet development beginning in November 2006.

2. Instead of adding power capacity via the transmission lines, why hasn't local power generation and / or demand side management and other conservation measures been considered first?

Regarding Question #2, LCPC was disappointed in the response it received from the petitioners, as it did not adequately answer LCPC's question. In attempting to answer the question, the petitioners cited VELCO Exhibit DWG-2 (the Exhibit) to support their position. Unfortunately, the Exhibit referenced does not address important regional impact issues such as, the affect of the proposed project and the various alternatives on the general public and businesses relative to increase in cost to the rate payers. LCPC's concern is that, if the increased

costs that will be shifted to the rate payers are too high, the local residents will no longer be able to afford to live in the region and any competitive advantage the local businesses may have may be diminished, thereby potentially threatening the regional economy – both of which are in the interest of the Public Good.

In its review of the Exhibit, LCPC also regretted that the petitioners' response considered very few hybrid solutions, considering mostly either / or scenarios. The following is LCPC's critique of the Exhibit cited:

As the petitioners' own Exhibit states, "The DSM analysis ... does not delve into the feasibility, cost or implementation issues surrounding this (DSM) strategy." Under footnote #1, the petitioners' own Exhibit also states, "For the purposes of this report demand side management (DSM) will refer only to investments into energy efficiency and not the broader definition of DSM that includes load control and conservation." And footnote #3 states, "Local control (*i.e. ...customer generation, thermal storage and load curtailment strategies.*) was not considered as an alternative to the Lamoille project because customers would be required to interrupt loads or run their generators over 6,000 hours per year."

It is important to note, regarding the Exhibit's following sentence, "Nor is it likely that enough customer generation or other load control options could be installed within the study area by 2006 to make a significant impact on loads.", that LCPC has been raising the issue of reliability since it participated in the Stowe Mountain Resort's master planning process nearly a decade ago and has raised this issue in its various position statements over the years as part of the Resort's Act 250 proceedings.

Lastly, the Exhibit also states, "This study also compares the direct capital costs of each alternative excluding its social benefits and costs." At the Public Service Board's initial pre-hearing conference on Friday, January 7, 2005, LCPC clearly recommended to VELCO that it conduct cost-benefit analyses of all potential alternatives, including the "do nothing" alternative, prior to submitting its petition. As part of these analyses, LCPC recommended VELCO consider social and environmental costs and benefits in addition to economic, similar in the manner by which transportation projects are "scoped".

Regarding the Demand Side Management option for increasing reliability, footnote #4 of the Exhibit states, "The study (*Electric and Economic Impacts of Maximum Achievable Statewide Efficiency Savings 2003 – 2012*) is still a draft document under public review." LCPC questions the legitimacy of the petitioners' response, which is based on a draft document.

Regarding the Distributed Generation (DG) option for increasing reliability, aside from the apparent discrepancy in the Exhibit as to how much "unreserved load" will be needed in the year 2013 (17.7MW vs 14MW), the Exhibit states, "The study did not consider operating the unit as a combined heat and power plant (CHP) because of a lack of thermal hosts of any significant size in the area that would also be located near an existing substation.", LCPC

questions why the Stowe Mountain Resort, which will undoubtedly be, if not already is, the single largest consumer of electricity in the region after build-out, was not considered as a possible CHP site. LCPC also notes the following additional gaps in the Exhibit:

- A. While LCPC could not find the Exhibit's definition of the term, "societal cost", LCPC questions the Exhibit's possible assumption that all costs must be born by all of society, as there could be numerous other scenarios whereby portions, if not all, of the costs could be born by local generator-consumers via customer generation. As noted above, the Exhibit admittedly does not consider customer generation types of scenarios, which, if considered, would likely reduce the "societal costs" dramatically.
 - B. Related, LCPC questions the Exhibit's assumption that distributed generation must only be one central generation facility during the 2006 - 2013 - 2025 time periods. This would appear to be an extremely limited assumption, which, if expanded, could likely reduce the "societal costs" dramatically.
 - C. LCPC questions the Exhibit's assumption that fuel oil is the only source of fuel to consider for distributed generation when there are numerous other sources available, not the least of which is the locally grown bio-mass. Again, this would appear to be an extremely limited assumption, which, if other fuel sources were to be considered, would likely reduce the "societal costs" dramatically.
 - D. LCPC questions the Exhibit's assumption that the Transmission Project will cost \$20+ million, since it is impossible to know the final cost of the proposed project until the project's alignment and facilities have been finalized and the project has been permitted and constructed. It won't be until this point that the true cost of the project will be understood and thus its impact on the Public Good via the increase in rates to the local residents and businesses of the region.
 - E. LCPC questions the Exhibit's assumption that "purchasing power from central generation provided through the grid" is comparatively cheaper than distributive generation; especially given that Vermont's two main sources of power (Vermont Yankee and Hydro Quebec), among other sources, have their contracts scheduled for termination within the eight year deferral period used in the analysis.
 - F. As the Exhibit aptly points out, combined heat and power applications would "make sense" if hosts and generator matches can be timed to "match" up. Because LCPC is aware of such efforts currently underway in the region, LCPC must again question the Exhibit's findings.
3. It has been stated that future plans are to extend the 115kV line from Stowe (after build-out) north to either Fairfax or Irasburg, why aren't such plans included in this proposed project?
 - a. What is the "transmission master plan" for Lamoille County and northern Vermont and how is it supported by the State's energy policies?

Regarding Question #3, LCPC was again disappointed in the petitioners' answers. LCPC was hoping for a more detailed response that looked beyond a limited 15 year window. The answers given alluded to "a number of future expansion possibilities (some of which were considered

in this study itself and not chosen for this project simply because the load level did not require them yet).", the details of which were exactly what LCPC was hoping the petitioners' answers would disclose. The response given did not explain what the "transmission master plan" is for Lamoille County and Northern Vermont. LCPC was looking for what options were being explored, for where, by when, and for how much cost, so that they could get a better sense of what the implications might be as to the proposed project's affect (electric rates) on Lamoille County's residents and businesses?

There also seem to be confusion as to the timeframe cited for the Northern Loop Project. In one instance, the petitioners reference the master plan as looking out to 2021, while in another instance, the petitioners state the Northern Loop Project is to be completed in 2005. This may just be a case of the petitioners' inability to articulate the master plan concept as it relates to the Northern Loop and Lamoille County Project(s) and / or LCPC's lack of understanding of the various pieces and how they fit together. While the petitioners' offered an opinion that the proposed project was supported by the State's energy policies via the Vermont Department of Public Service's 2004 Energy Plan, the petitioners' did not offer any examples or references of such support, simply a "belief".

4. Have the Petitioners had communications with any of the State's various recreational interest / user groups regarding using the utility corridor (after build-out) as an inter-regional recreational facility?

Regarding Question #4, LCPC appreciated the petitioners' honest answer, but recommends the petitioners' collaborate with local, regional and state recreational trail interest and user groups to explore the possibility of using the existing / proposed corridor as a inter-regional multi-use recreational facility.

The following are LCPC's findings regarding the proposed project's conformance (or nonconformance) with the Lamoille County Regional Plan:

While the proposed project does trigger the Regional Plan's Significant Regional Impact Criteria, the petitioners' responses did not provide LCPC with enough information for LCPC to determine whether or not the proposed project will conform with the Regional Plan. In its review of the proposed project, LCPC identified the following policies as being relevant to the proposed project. However, due to the lack of information, LCPC was unable to determine either a finding of conformance or a finding of nonconformance regarding these policies.

5.2 Economic Development

Issue 1

A significant amount of the region's past economic development activity has been unplanned and is scattered.

Planned infrastructure investments provide the best opportunity to support sound economic development.

2. The maintenance of modern infrastructure systems including roads, telecommunication networks, water supplies, municipal sanitary sewers, and energy to service existing and planned future economic activities is encouraged.
4. Municipalities are encouraged to provide existing businesses with the infrastructure that will allow continued competitiveness and growth.

5.5 Utilities and Facilities

5. Support only those development proposals that are within the existing or proposed capacity of public facilities and services.
12. Encourage the diversification of energy sources serving the region.
13. Support measures and programs to conserve energy as well as the utilization of renewable energy resources.
16. Development projects and transportation planning in the region must consider the energy demands and availability with conservation as a priority.

5.7 Recreation & Tourism

10. Recreation activities should be encouraged throughout the county provided there is not a conflict with existing recreational opportunities. Potential impacts on existing or traditional land use such as agricultural and forest land uses are encouraged to be resolved as soon as the impacts are identified.

5.8 Land Use and Development

23. Future development must not place an undue burden on the ability to provide public and community services on schools, roads, water, sewer, emergency access, etc.
24. All proposed development in the region or affecting the region must ensure that it does not have unreasonable impact either all at once or over time. Plans for developments that may place a burden on communities should be phased over a period of time, under a comprehensive plan, in order to lessen any adverse impact on services.

Therefore, per Section 248, LCPC is unable to determine at this time that the proposed project...

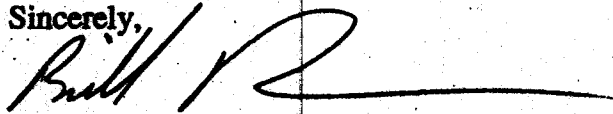
1. Will not interfere with the orderly development of the region; and
2. Is needed to meet present and future demand.

LCPC has determined, however, that the proposed project...

3. Will not have an undue adverse effect on (the Region's) aesthetics, historic sites, air and water purity, the natural environment, and the public health and safety.

An electronic copy of this request was submitted to you today via e-mail, to be forwarded on to the Parties. Please contact me if you have any questions or if you would like to discuss any aspects of this filing.

Sincerely,



William R. Rossmassler
Assistant Director

Copied: *enclosed Certificate of Service List*
 Michele Boomhower, LCPC Executive Director
 Dave Pelletier, LCPC Transportation Planner